

## Message Text

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ORIGIN SS-14

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DRAFTED BY: S/ S- O: S FRY

APPROVED BY: S/ S- O: S FRY

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES IMMEDIATE

C O N F I D E N T I A L STATE 101061

TOSEC 330

FOLLOWING SENT ACTION TO SECSTATE INFO ABU DHABI BEIRUT BONN  
BRUSSELS DHAHRAN THE HAGUE JAKARTA KUWAIT LAGOS LONDON PARIS  
OECD PARIS TEHRAN TOKYO TRIPOLI MAY 24, 1973 FROM JIDDA  
REPEATED TO YOU:

QUOTE C O N F I D E N T I A L JIDDA 2158

BEIRUT PASS BAGHDAD

E. O. 11652: DECLAS, DEC 31, 1979

TAGS: ENRG

SUBJ: LIBYAN OIL NEGOTIATIONS

REF: ( A ) STATE 097463; ( B ) JIDDA 2052 ( NOTAL )

1. IT IS EMBASSY' S VIEW THAT IN EVENT OF A CONFRONTATION  
BETWEEN GOL AND PRODUCING COMPANIES, SAG WOULD BE DEF-  
INITELY DISINCLINED FOLLOW LIBYAN LEAD. MINISTER OF PET-  
ROLEUM YAMANI-- AND SAG IN GENERAL- HAVE INVESTED CONSIDER-  
ABLE EFFORT AND PRESTIGE IN ESTABLISHING CONCEPT OF  
PARTICIPATION AS MOST ADVANTAGEOUS RELATIONSHIP BETWEEN  
SAG AND OIL COMPANIES. PARTICIPATION AGREEMENTS HAVE  
ALREADY WITHSTOOD TREMORS RESULTING FROM SHAH' S REVISION  
OF AGREEMENTS WITH COMPANIES IN IRAN, AND SAUDIS WOULD  
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NOT NOW WISH TO SEEM TAIL TO QADHAFI'S KITE.

2. IN THEIR RELATIONS WITH OIL COMPANIES MOREOVER SAUDIS HAVE TRADITIONALLY PREFERRED GRADUAL EVOLUTIONARY APPROACH RATHER THAN ONE PROCEEDING VIA SHARP CONFRONTATION: SAUDI PREFERENCE FOR NEGOTIATION IN ADVERSARY RELATIONSHIP INDICATED MOST RECENTLY BY YAMANI'S EFFORTS TO BRIDGE GAP ( PER REFTEL BETWEEN OPEC DEMANDS FOR COMPENSATION OVER LATEST DOLLAR DEVALUATION AND OIL COMPANIES' PROPOSALS.

3. WE DOUBT HOWEVER WHETHER SAUDIS WOULD, BY THEMSELVES AND ON THEIR OWN INITIATIVE, TAKE ANY POSITIVE ACTION TO SWAY LIBYANS IN DIRECTION OF MODERATION VIA SOME APPROACH TO GOL-- WHICH MIGHT INVITE REBUFF BY QADHAFI AND PERHAPS EVEN DRAW CRITICISM UPON SAUDI S FOR ACTING ON BEHALF OF " INTERNATIONAL OIL MONOPOLY".

4. IF DEPARTMENT WISHES, WE WOULD BE WILLING SEEK EARLY OPPORTUNITY SOUND OUT YAMANI ( WHO CURRENTLY ABSENT IN CONNECTION OPEC PRICE NEGOTIATIONS) ON HIS VIEWS TOWARD THREATENED LARG- COMPANY CONFRONTATION. IN SUCH DISCUSSION WE COULD PROVIDE CLEAR DESCRIPTION DANGERS AS WE SEE THEM FOR BOTH PRODUCING AND CONSUMING GOVTS OF PRESENT QADHAFI APPROACH AND COULD URGE CONSIDERATION BY SAG OF SOME DISCREET EFFORT ON ITS PART, EITHER ALONE OR IN CONCERT WITH OTHER OPEC MEMBERS, TO PERSUADE LIBYANS DEMONSTRATE GREATER MODERATION, AT LEAST AS REGARDS THEIR TACTICS. WE NOT TOO HOPEFUL YAMANI WOULD RESPOND FAVORABLY OR PROMISE TO TAKE ACTION BUT WE BELIEVE CHANCE OF SUCCESS JUST SUFFICIENT TO WARRANT THE ENDEAVOR ( WHICH WOULD PROVIDE IN ANY CASE ENLIGHTENMENT ON SAUDI VIEW OF MATTER AND OPPORTUNITY OFFER BY IMPLICATION FIRM DISCOURAGEMENT ANY SAUDI SENSE OF COMPULSION TO FOLLOW QADHAFI EXAMPLE.)  
THACHER UNQUOTE RUSH

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NMAFVVZCZ

\*\*\* Current Handling Restrictions \*\*\* n/a

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